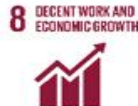


# Sustainability Progress Update (October - December 2020)



**SUSTAINABLE DEVELOPMENT GOALS**  
adopted by IOI



## HIGHLIGHTS

- ❖ IOI's refinery in Sandakan, Sabah recorded substantial energy savings compared to the first half of 2020 through improvement in its operation's energy usage efficiency.
- ❖ IOI developed several new labour guidelines to further strengthen implementation in workers' recruitment, employment and welfare.
- ❖ Stage 2 of IOI Pelita land dispute resolution process was completed. Stage 3 (Negotiation for the Final Settlement) is expected to start in January 2021.
- ❖ Smallholders under the ILHAM project continued to receive fertilizer, and technical support on yield improvement from IOI's agronomists. Soil and foliar resampling will be carried out to affirm yield increase.
- ❖ Annual Management Review on sustainability matters for both Indonesia and Sabah Regions were conducted in December 2020.
- ❖ IOI Suppliers Engagement Team to prioritise suppliers' engagement based on gaps identified through T4T and various active suppliers' engagement programmes.
- ❖ IOI concluded the year 2020 with significant improvement in its environmental, social and governance (ESG) performance as reported in several internationally recognised ESG assessments.

*IOI continues to thank all Health workers and front-liners working tirelessly to safeguard our health and sustainable future from the COVID-19 pandemic*

## 1. Environment

### a. Energy Efficiency at IOI Edible Oils (IOIEO) Refinery

As part of IOI's Climate Change Action Initiative, IOIEO continuously explores opportunities to minimise energy usage, which is one of the major sources of carbon emission in IOIEO's operations. IOIEO is progressively replacing existing machinery, electrical equipment and lightings to more energy-efficient alternatives.

As a result of this initiative, IOIEO managed to achieve substantial energy savings in the second half of 2020 despite the reduction in production due to COVID-19 pandemic. Some of the improvements done in this reporting period include replacing the cold-water pump with a more energy-efficient Variable Speed Drive and conventional lightings with LED spotlights.



*Newly installed Variable Speed Drive at IOIEO*

### b. Operational Eco-Efficiency at IOIEO

As part of the efforts to engage with the wider industry players on sustainable practices in palm oil processing, IOIEO published an article entitled 'Sustainable Practices of an Edible Oils Refining Complex' on 9<sup>th</sup> November 2020. The article shared several initiatives by IOIEO in energy conservation, heat recovery, resource utilisation, waste management and atmospheric emissions control. The article also highlighted the opportunities in term of cost reduction and environmental benefits from those initiatives in palm oil refining process.

## 2. Social

### a. Strengthening IOI's Labour Commitments through Guided Implementations

IOI has developed several new guidelines to ensure standardised and strengthened implementation of our commitments on the ground. The newly developed guidelines cover areas such as recruitment, amenities for the workers, workers verification, etc. For a more complete list of these guidelines, please click [here](#). IOI will continue to explore ways to improve its labour policy implementations in order to create a better working and living environment for the employees.

### b. Battling COVID-19 through Corporate Social Responsibility

In November 2019, the Sandakan Fire and Rescue Department had reached out to IOIEO for support after several of their sanitisation equipment failed. IOIEO immediately contributed five units of the spraying equipment to the department.

IOIEO also contributed 15 units of bedsteads to the front-liners from the Sandakan Health Department who are stationed at PPR Batu Putih Quarantine Centre to address the shortage of basic amenities due to the drastic increase in the number of front-liners.



*Certificate of appreciation from Sandakan Health Department.*

### c. IOI Pelita Land Dispute Resolution Process

Stage 2 of the Conflict Resolution Process, the Community Participatory Mapping was completed on 7<sup>th</sup> November 2020. Stage 3 (Negotiations for the Final Settlement) is expected to start in January 2021, provided the COVID-19 movement restrictions are lifted. In the meantime, the communities can prepare for the negotiations and obtain any additional assistance they might need from CICOM.

**d. Initiatif Lestari Untuk Hasil Agrikultur Mampan (ILHAM) - Smallholders Livelihood Improvement Programme**

ILHAM's Standard Operating Procedures and a standard scoop to use for applying fertiliser have been provided to all the participants for implementation purpose.



*Distribution of organic fertiliser to the smallholders*

In total, more than 150 MT of fertilisers have been distributed to the farmers from five different communities. About 85% have been allocated to the farmers who are supplying directly to Fortuna mill while the remaining has been distributed to Fortuna's collection centres at Nangoh and Paitan districts. Ground checks have also been conducted to ensure they continue to apply the fertilisers accurately and effectively. A soil and foliar resampling exercise to analyse nutrient improvement will be initiated in farms that have completed the three cycles of the fertiliser distribution phase to affirm the yield increase. Significant yield improvement will encourage the farmers to continue participating in the programme and eventually improve their livelihood and income.

**3. Transparency and Wider Engagement**

**a. Webinars on “Biodiversity & Ecosystem Services” and “Quality of Refined Palm Oil”**

On 10<sup>th</sup> December 2020, Dr Surina Ismail (IOI Group Head of Sustainability) spoke in a webinar organised by The Business Council of Sustainable Development (BCSD) Malaysia. The focus of her presentation was on “Practical Integration of Biodiversity and Conservation in the Palm Sector”. Strategy on how IOI drives socio-economic values while at the same time reducing its environmental impacts were shared. Experience on practical approach in the adoption of innovative biodiversity policies and activities that conserve biodiversity and improve ecosystem functions were also discussed during the webinar.

Representing IOIEO, Mr Shyam Lakshmanan (General Manager of IOIEO) spoke in a webinar organised by IChemE on 15<sup>th</sup> October 2020 to share the experience on 3-MCPD & GE mitigation strategies. The webinar covered explanation on the 3-MCPDE and GE formation, the effect of inorganic chloride dilution and benefits of using total chloride as a fast indicator to the actual concentration of 3-MCPDE in RBDPO. The webinar also discussed various measures to avoid and reduce the concentration of 3-MCPDE and GE in the palm oil.

**b. Sustainability Management Review Meeting for Indonesia and Sabah Regions**

IOI conducted its Sustainability Management Review meeting for both Indonesia and Sabah regions in December 2020. Among the key topics discussed were the socialisation of new and revised sustainability-related policies and guidelines, potential group-level initiatives and discussion on continuous improvements to enhance sustainability compliance. The meetings also focus on potential issues that the operating units may encounter and best practices for implementation. The management team from Peninsular Region were also invited to learn on the best management practices implemented in the Sabah region.



*Participants listening to the presentation during the Sustainability Management Review Meeting*

**c. Good Agricultural Practices and Capacity Building**

PT SNA organised training to beef up employee’s knowledge and skills in tasks such as harvesting, spraying and manuring in October 2020. The training focused on various safety aspects including knowledge on chemical hazards and the control measures to eliminate those hazards. Aside from that, PT SNA also provided basic knowledge on mechanisation to the employees as preparatory training to the company’s future direction towards mechanisation. Mechanisation was introduced in IOI to improve productivity, upskill the workers and to reduce laborious tasks.



*Training on utilisation of personal protective equipment for spraying operation*

**d. Suppliers Engagement with Tools for Transformation (T4T)**

Suppliers’ sustainability compliance status and gaps have been identified through the engagement with T4T. Based on the information collected, more than 89% of the suppliers have either fully or partially in compliant to the NDPE policy. The information has allowed IOI Suppliers Engagement Team (SET) to prioritise engagement strategy based on the identified critical incompliant issues. In 2020/ 2021, the suppliers were also requested to formulate an action plan to address the identified issues with the support from IOI SET through the sharing of experiences, transformation workshops, collaboration in organising joint focus sessions on specific topics, and sharing of technical resources.

**e. IOI’s Performance in Environmental, Social and Governance (ESG) Assessments**

**SAM Corporate Sustainability Assessment**

Based on SAM Corporate Sustainability Assessment (CSA) 2020, IOI has successfully increased its overall performance and is currently placed at 71% as compared to 45% last year. IOI’s marked performance has led it to be ranked as the top 35 among 112 assessed companies with the highest market capitalisation in the Food Products industry under the emerging markets category. A total of 4,710 public listed companies with the highest market capitalisation across 61 industries worldwide were assessed, and the most sustainable companies will eventually be selected as a constituent of the Dow Jones Sustainability Indices.



**Sustainability Policy Transparency Toolkit (SPOTT)**

In 2020 SPOTT assessment, IOI received an overall score of 77.1%, an increase of 5.2% from last year. Analysing the scoring elements, IOI scores increased in six areas, namely, Governance and Grievance; Community, Land and Labour Rights; Water, Chemical and Pest Management; Peat, Fire and GHG Emissions; HCV, HCS and Impact Assessments; and Deforestation and Biodiversity.

**Carbon Disclosure Project (CDP) Assessment**

In 2020, IOI continues to submit full responses in all three segments of CDP assessment, i.e., Climate Change, Water Security and Forest (Palm Oil). In the Climate Change and Forest (Palm Oil) segments, IOI scored C. According to CDP, both scores fall within the AWARENESS band. IOI made progress in the Water Security segment by scoring B for the first time and was named by CDP as one of the most improved companies in this segment.

